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PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDBU RUEHDF RUEHIK RUEHLH RUEHLN
RUEHLZ RUEHNEH RUEHPW RUEHROV RUEHSK RUEHSL RUEHSR RUEHVK RUEHYG
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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC 3349

INFO RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

RUCNCIS/CIS COLLECTIVE

RUCNMEM/EU MEMBER STATES COLLECTIVE

RUEHAK/AMEMBASSY ANKARA 5583

RUEHBJ/AMEMBASSY BEIJING 3302

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RUEHIT/AMCONSUL ISTANBUL 3826

RUCNDT/USMISSION USUN NEW YORK 1105

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RUEAIIA/CIA WASHDC

RHEFDIA/DIA WASHDC

RHEHNSC/NSC WASHDC

RUEKJCS/SECDEF WASHDC

RUEKJCS/JOINT STAFF WASHDC

UNCLAS SECTION 01 OF 02 ASHGABAT 001071

SENSITIVE

SIPDIS

STATE FOR SCA/CEN; EEB; NEA/IR
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR EHOUSE

E.O. 12958: N/A

TAGS: [EPET](#) [PGOV](#) [EINV](#) [TX](#)

SUBJECT: TURKMENISTAN: CNPC ON SCHEDULE TO SHIP GAS TO CHINA

REF: ASHGABAT 815

¶1. (U) Sensitive But unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: Chinese National Petroleum Corporation (CNPC) recently announced that its Amu Darya project had been connected to the Uzbek section of the Central Asia - China pipeline. CNPC added that the inter-border connection will contribute to ensuring scheduled gas supplies to China by 2010. The announcement shows that foreign energy companies can and are doing business in Turkmenistan, especially if they are willing to build pipelines.
END SUMMARY.

¶3. (SBU) The Amu Darya project or Bagtyarlyk contractual territory, as it is referred to by the Turkmen Government, is a group of fields being developed by CNPC under a production sharing agreement (reftel). According to its production sharing agreement, CNPC is developing gas fields located in the contractual territory that includes the large Samandepe and Altyn Asyr fields, constructing two gas processing plants, and building a 78-kilometer pipeline to transport natural gas from the Samandepe and Altyn Asyr fields to the Uzbek section of the Central Asia - China gas pipeline. CNPC plans to complete construction of a gas processing plant with a capacity of five bcm of gas per year located at the Samandepe gas field by the end of 2009. So far, 84 percent of the work has been completed. The company plans to finish a second gas processing plant with a capacity of eight bcm of gas per year by the end of ¶2010. The Amu Darya project will deliver 13 bcm of gas annually to the Central Asia - China pipeline when all the gas production and transportation facilities come on stream.

¶4. (SBU) ATG, a joint venture between CNPC and Uzbekneftegaz, began the Uzbek section in the middle of 2008, not far from the Uzbek city of Bukhara. Construction was begun out on two portions simultaneously. The first portion stretches toward Kazakhstan and is not completed, and the second portion, which was recently connected to the Amu Darya project, stretches toward Turkmenistan.

15. (SBU) Separately, gas produced by the Turkmengaz State Concern and bound for China will be transported to the Uzbek border through a Turkmen section of the Central Asia - China pipeline. This leg will be 188 kilometers long and will utilize 56-inch pipes, which makes it capable of carrying more than 30 bcm annually. Stroytransgas, a Russian company hired by Turkmengaz to construct the Turkmen section, has completed welding on a 76-kilometer portion of the Turkmen section. Stroytransgaz still has much work to do, including the pipeline section crossing the Amu Darya River, which is the most complicated part of the Turkmen section and will be laid beneath the river bed, according to a Ministry of Oil and Gas official. The construction of another technically sophisticated facility -- a compressor station to be built by ENEX (Belgium) -- is still under way. There are plans to transport 27 bcm of gas annually through the Turkmen section.

16. (SBU) Supplies to China are planned to start in December 2009 with volumes not exceeding 4-5 bcm of gas over the first year. It appears the first 4-5 bcm of gas will come from the CNPC-operated portion of the Samandepe gas field, through the CNPC-built 78-kilometer pipeline running to the Uzbek border. As a result, there will be no need for Turkmengaz-produced gas originating from the Turkmen section of the pipeline until the end of 2010. Therefore, the Turkmen section can be completed in the beginning or middle of 2010 without throwing the project off schedule. The same is true for the CNPC-produced gas that will come from the Altyn Asyr gas field at a later stage.

17. (SBU) COMMENT: Given the challenges inherent in carrying out the Amu Darya project, CNPC's on-schedule progress is impressive. Despite wide-spread initial skepticism regarding the ambitious

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implementation dates, gas shipments are very likely to start in December 2009 or January 2010. CNPC's ability to engage Turkmenistan on this project benefited from the Chinese Government's political backing together with the Chinese willingness to build the pipeline to China, thereby conforming to the Turkmen policy of selling its gas at its borders. Other foreign companies interested in onshore gas production in Turkmenistan might improve their chances if they could similarly help the Turkmen not only produce more gas, but also facilitate its transport to markets. END COMMENT.

MILES